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JB Hi-Fi Limited

Full Year Results Presentation
30 June 2010



9 August 2010



Agenda

1. **Performance**
2. **Historic Performance**
3. **Unique JB Model**
4. **Trading Performance**
5. **Financial Detail**
6. **Dividends**
7. **Store Update**
8. **Investment Checklist**

Terry Smart
CEO

Richard Murray
CFO



1. Performance

Strong performance for 12 months to 30 June 2010

	FY09	FY10	Growth
❑ Sales	\$2.33b	\$2.73b	17.4% ↑
❑ Gross Margin	21.6%	21.8%	+12 bps ↑
❑ Cost of Doing Business	14.7%	14.5%	-24 bps ↓
❑ EBIT	\$142.0m	\$175.1m	23.3% ↑
❑ EBIT Margin	6.1%	6.4%	+31 bps ↑
❑ NPAT	\$94.4m	\$118.7m	25.6% ↑
❑ Earnings per share	88.3 cps	109.7 cps	24.3% ↑
❑ Return on Invested Capital	50.2%	56.3%	+6.1% ↑
❑ Total dividends - fully franked (Final dividend - fully franked* = 33.0 cps)	44.0 cps	66.0 cps	50.0% ↑

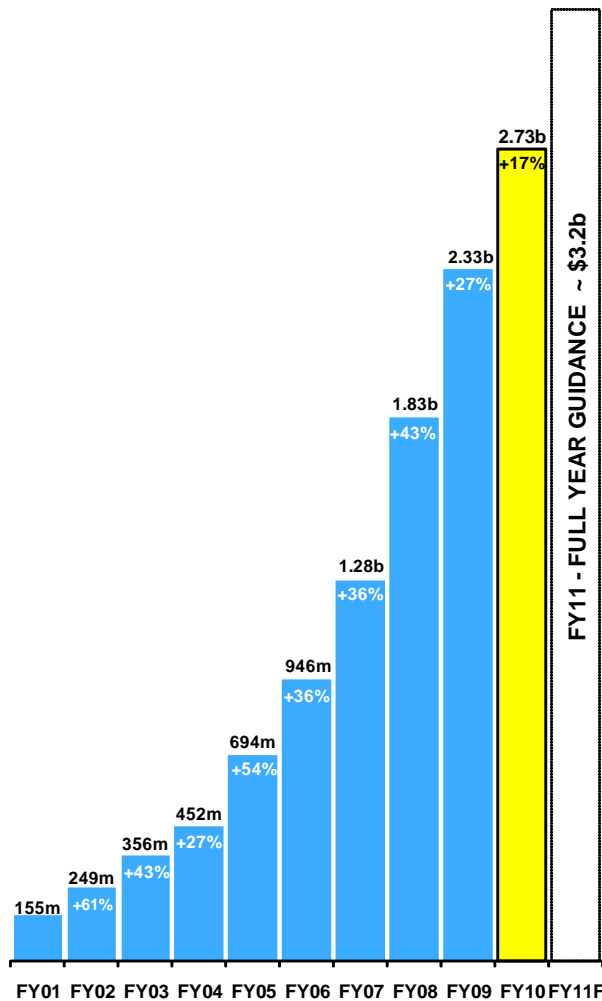
* to be paid 3 September 2010 (record date 23 August 2010).



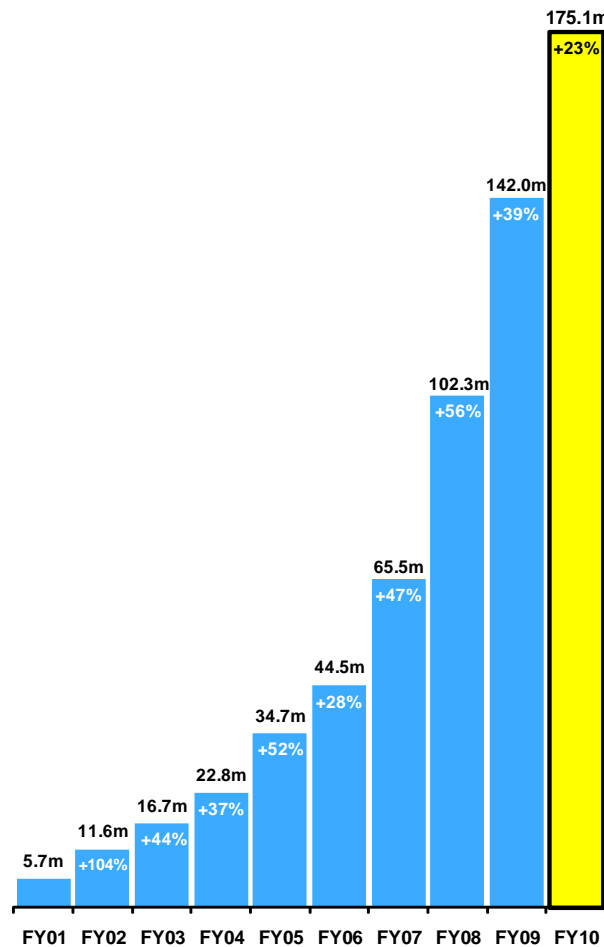
2. Historic performance

Strong growth in sales & earnings since MBI in July 2000

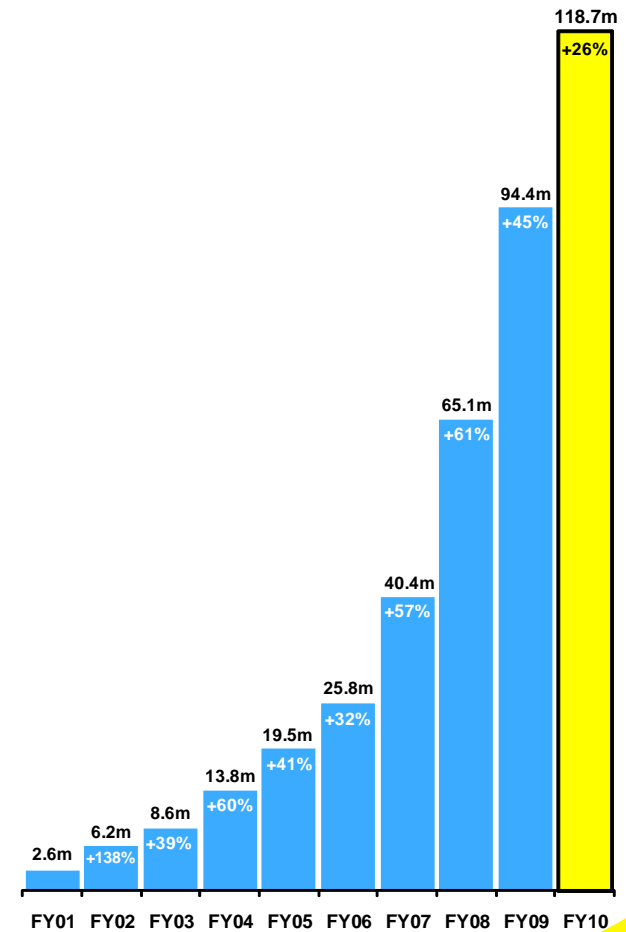
SALES +17%



EBIT +23%



NPAT +26%





3. Unique JB Model

Unique JB Model continues to resonate with customers

- A huge range and every day low price offering.
- A unique and engaging retail environment.
- A sales focused company, while proactively managing our other key performance measures of earnings, working capital ratios and return on invested capital.
- Constant technology innovation assists in driving growth.
- Genuine, passionate and knowledgeable sales staff, who connect well with our customers.
- Low cost of doing business culture.
- Strong organic growth as recently opened stores mature, we open new stores and expand our product offering.



4. Trading performance

Sales

- Consolidated sales grew 17.4%.
- Consolidated comparable store sales growth for FY10 was 4.8%.
- This was a strong result, with the company trading well through what was considered a most challenging and competitive period in retail.
- Sales in the 2nd half of FY10 were predominately impacted by 3 factors, which in combination contributed to flat comparable store growth over this period for the JB Hi-Fi branded stores. The factors were:
 1. Reduced consumer confidence and spending after a number of consecutive interest rates rises and continued uncertainty in the global economy;
 2. Cycling the impact of prior year government stimulus packages:
 - Trading in the prior year benefited from the broader cash stimulus packages (Dec 08, March/April 09);
 - We were particularly impacted by the Investment Allowance (May/June 09), which drove business purchases in our computer category. As a consequence we were cycling strong computer sales during that period; and
 - While it is difficult to quantify the impact of the above, we are confident in the strength of our underlying business performance.
 3. Inventory shortages of the latest release/hero products in the 4th quarter, particularly 3D panels and iPad's.



4. Trading performance...

Gross Margin

- GM was 21.8%, a 12 bps increase for FY10, and a 65 bps increase in the 2nd half.
 - This improved gross margin result was driven by positive outcomes such as :
 - Increasing scale continuing to drive greater levels of supplier support;
 - Merchandising strategy - focussed on margin generating products; and
 - Continued focus on shrinkage and obsolescence.
 - The strength in gross margin was pleasing given the following challenges:
 - Continued competitive environment;
 - Continued growth of low margin product categories; and
 - Significant price competition in the NZ market which resulted in a fall in gross margin of 129 bps. However, this is an improvement on our first half.

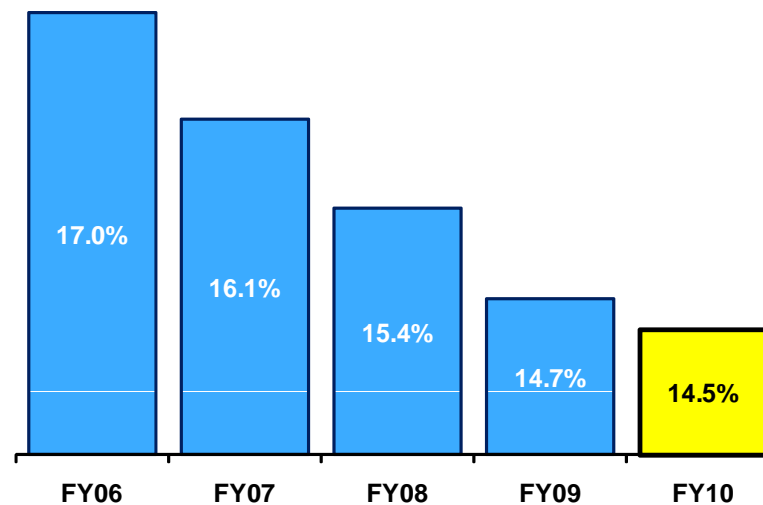


4. Trading performance...

Cost of Doing Business (CODB)

- CODB was down 24 bps to 14.5% (pcp: 14.7%), driven by our low cost culture, operating leverage, labour productivity and marketing economies of scale.
- Our low CODB assists us in managing the impact of product mix on our gross margins, supports our every day low pricing philosophy and improve our earnings margin.
- CODB reductions have been achieved whilst we have pursued an aggressive store rollout program, opening 62 new stores in the last 3 years.

Cost of doing business

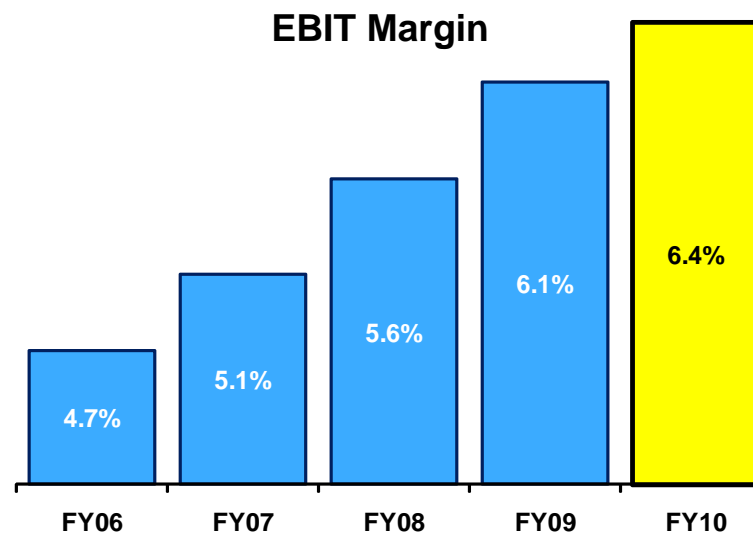




4. Trading performance...

Earnings

- EBIT increased 23.3% to \$175.1m.
- EBIT margin at 6.4% was a 31 bps increase on the prior year.
- EBIT growth was driven by the combination of increased gross margin and a lower cost of doing business.
- Depreciation and amortisation increased 24.2% and reflected our store rollout program and ongoing merchandising upgrades in our existing stores.
- NPAT was up 25.6% to \$118.7m.
- The growth in NPAT was a result of:
 - Strong underlying trading result;
 - Lower net interest costs driven by our strong cash flows and relatively low net debt; and
 - Our effective tax rate of 30.04% which was 26 bps lower than the previous period, driven primarily by the benefit of the government's investment allowance.





4. Trading performance...

Australia

- Sales grew 17.8% to \$2.6b with comparable store sales up 4.5%.
- Gross margin increased by 17 bps to 22.1%.
- Cost of doing business was down 18 bps to 14.4%.
- EBIT increased 23.3% to \$178.6m.
- EBIT margin at 6.9% was a 30 bps increase on the prior year.
- Opened 22 JB Hi-Fi stores.

New Zealand

- JB branded store sales grew 34.7% to NZ\$147.0m. Overall sales growth, including closed H&S branded stores was 11.3%.
- Comparable store sales were up 13.4% (JB Hi-Fi only).
- EBIT decreased to a loss of NZ\$4.4m/AU\$3.5m, with an EBIT margin at -2.6%.
- On a normalised basis (ie JB stores and support office), the FY10 EBIT loss would have been NZD\$2.5m/AU\$2.0m.
- Opened 1 JB Hi-Fi store and rebranded 1 H&S store.
- Finalised exit of H&S branded stores, with a total of 5 H&S stores closed in FY10. Refer Appendix II(d) for further discussion.
- As we gain additional scale, we anticipate moving into profitability in NZ during FY11.



4. Trading performance...

Trading Outlook

- We anticipate opening 18 new JB Hi-Fi stores in FY11 (Aust: 15, NZ: 3).
- Maintain our target of 210 JB branded stores (160 Tier 1* and 50 Tier 2* format) in Australia and New Zealand.
- The recently opened Tier 2 stores, while still in their ramp up phase, are performing inline with internal expectations, and we maintain our target of 50 Tier 2 stores.
- FY11 YTD Trading Update:
 - Total sales growth for July was positive; and
 - Whilst comparable store sales growth was slightly negative, it was a positive trend on previous month's trading.
- Confident of continued growth in most product categories and market share gains in all.
- We expect the first half of FY11 to be challenging, with consumer spending remaining subdued.
- Our proven unique retail model is best equipped to take advantage of the expected increase in consumer spending in the lead up to the critical Christmas trading period.
- Overall we expect FY11 to be another good year of sales and earnings growth.
- Expect sales in FY11 of circa \$3.2b, a 17% increase over the pcp.

* refer to explanation in Appendix II(c).



4. Trading performance...

Industry Outlook

- All categories expected to remain very competitive - specialist players like JB with a unique offering will continue to take market share.
- Constant technology innovation will drive continued industry growth.
- Visual:
 - Digital TV switch over; and
 - 3DTV and IPTV.
- Computers:
 - Establishment of new sub product category of tablet pc's driven by launch of iPad.
- Telecommunications:
 - iPhone 4 - strong sales in Australia over first week of release;
 - Continued strong growth in the Smart Phone category; and
 - Telstra now has competitive Mobile Plans to enable us to maximise the opportunity.
- Games:
 - Key games console manufacturers are launching new platform upgrades in the lead up to Christmas 2010.



5. Financial detail

Profit and Loss Statement

AUDm	AUST			NZ			CONSOLIDATED		
	FY09	FY10	Growth	FY09	FY10	Growth	FY09	FY10	Growth
Sales	2,205.0	2,598.0	17.8%	122.3	133.3	9.0%	2,327.3	2,731.3	17.4%
Gross Profit	483.0	573.4	18.7%	20.6	20.7	0.6%	503.6	594.2	18.0%
Gross Margin	21.90%	22.07%	+17 bps	16.86%	15.57%	-129 bps	21.64%	21.75%	+12 bps
EBITDA	162.2	200.3	23.5%	(1.5)	(1.9)	-25.3%	160.7	198.4	23.4%
Depreciation & Amortisation	17.4	21.7		1.4	1.6		18.7	23.3	
EBIT	144.9	178.6	23.3%	(2.9)	(3.5)	-19.3%	142.0	175.1	23.3%
EBIT Margin	6.57%	6.87%	+30 bps	(2.37%)	(2.59%)	-22 bps	6.10%	6.41%	+31 bps
Net Profit After Tax							94.4	118.7	25.6%
Headline Statistics:									
Earnings per share (basic ¢)							88.3	109.7	24.3%
Cost of doing business	14.55%	14.36%	-18 bps	18.09%	16.98%	-111 bps	14.73%	14.49%	-24 bps
Stores at period end	109	131	+22 stores	14	10	-4 stores	123	141	+18 stores



5. Financial detail...

Balance Sheet

AUDm	FY09	FY10	Mvt
Cash	35.8	51.7	
Receivables	60.3	63.5	
Inventories	324.5	334.8	
Other	5.7	4.5	
Total Current Assets	426.2	454.5	6.6%
Fixed Assets	136.1	164.0	
Brandname & Goodwill	81.4	83.9	
Other	18.0	12.0	
Total Non-Current Assets	235.4	259.8	10.4%
Total Assets	661.7	714.3	8.0%
Payables	274.0	289.5	
Borrowings	-	35.0 ⁽ⁱ⁾	
Other	49.8	38.6	
Total Current Liabilities	323.7	363.1	12.2%
Borrowings	89.4	34.6	
Other	19.3	23.3	
Total Non-Current Liabilities	108.7	57.9	-46.7%
Total Liabilities	432.4	421.0	-2.6%
Net Assets	229.3	293.3	27.9%
<i>Net Debt</i>	53.6	17.9	-66.6%

⁽ⁱ⁾ repaid on 3rd August 2010



5. Financial detail...

Cash Flow Statement

AUDm	FY09	FY10	Mvt
EBITDA	160.7	198.4	23.4%
Change in Working Capital	19.6	1.2	
Net Interest Paid	(6.7)	(5.0)	
Income Tax Paid	(41.3)	(53.5)	
Other	13.3	11.0	
Net Cash Flow from Operations	145.6	152.1	4.5%
Purchases of P&E	(43.9)	(53.4)	
Payments for intangible assets	-	(2.4)	
Net Cash Flow from Investing	(43.9)	(55.8)	27.1%
Free Cash Flow⁽ⁱ⁾	101.7	96.3	-5.3%
Borrowings / (Repayments)	(35.3)	(20.0)	
Proceeds from issue of Equity	4.2	6.8	
Dividends Paid	(33.2)	(67.1)	
Net Cash Flow from Financing	(64.3)	(80.2)	24.8%
Net Change in Cash Position	37.4	16.1	
Effect of exchange rates	(0.1)	(0.1)	
Cash at the end of Period	35.8	51.7	44.6%

⁽ⁱ⁾ Free Cash Flow = Net Cash Flow from Operations less payments for store related assets (excludes investments)



5. Financial detail...

Working capital and key ratios

AUDm	FY09	FY10
(Increase)/decrease in current assets		
Inventory	(52.5)	(10.0)
Receivables	(7.0)	(3.4)
Other current assets	(0.5)	1.1
Increase/(decrease) in current liabilities		
Trade creditors	68.1	15.6
Other current liabilities	11.3	(2.1)
Net Movement in Working Capital	19.6	1.2

Performance Indicators:

Inventory Turnover	6.1x	6.5x
Creditor Days	48.0	48.1
Fixed Charge Ratio	3.8x	3.9x
Interest Cover	17.7x	25.2x
Return on Equity	41.2%	40.5%
Return on Invested Capital	50.2%	56.3%

- Inventory Management:
 - Inventory management remains a constant focus;
 - We invested \$59.1m in new store inventory;
 - We reduced inventory in our existing stores by \$49.1m;
 - Inventory turnover has improved to 6.5x times (pcp: 6.1 times);
 - Like for like inventory turnover was 6.9 times (pcp: 6.6 times); and
 - We continue to see opportunities to improve our inventory management and drive increased inventory turnover.
- Receivables relate predominately to supplier rebates.
- Creditors days were consistent with the prior period.
- Fixed charges ratio at 3.9x times, coupled with high interest cover is a good indication of JB's balance sheet strength and our low financial and operational leverage.
- On the 3rd August 2010 we repaid \$35m of senior debt.



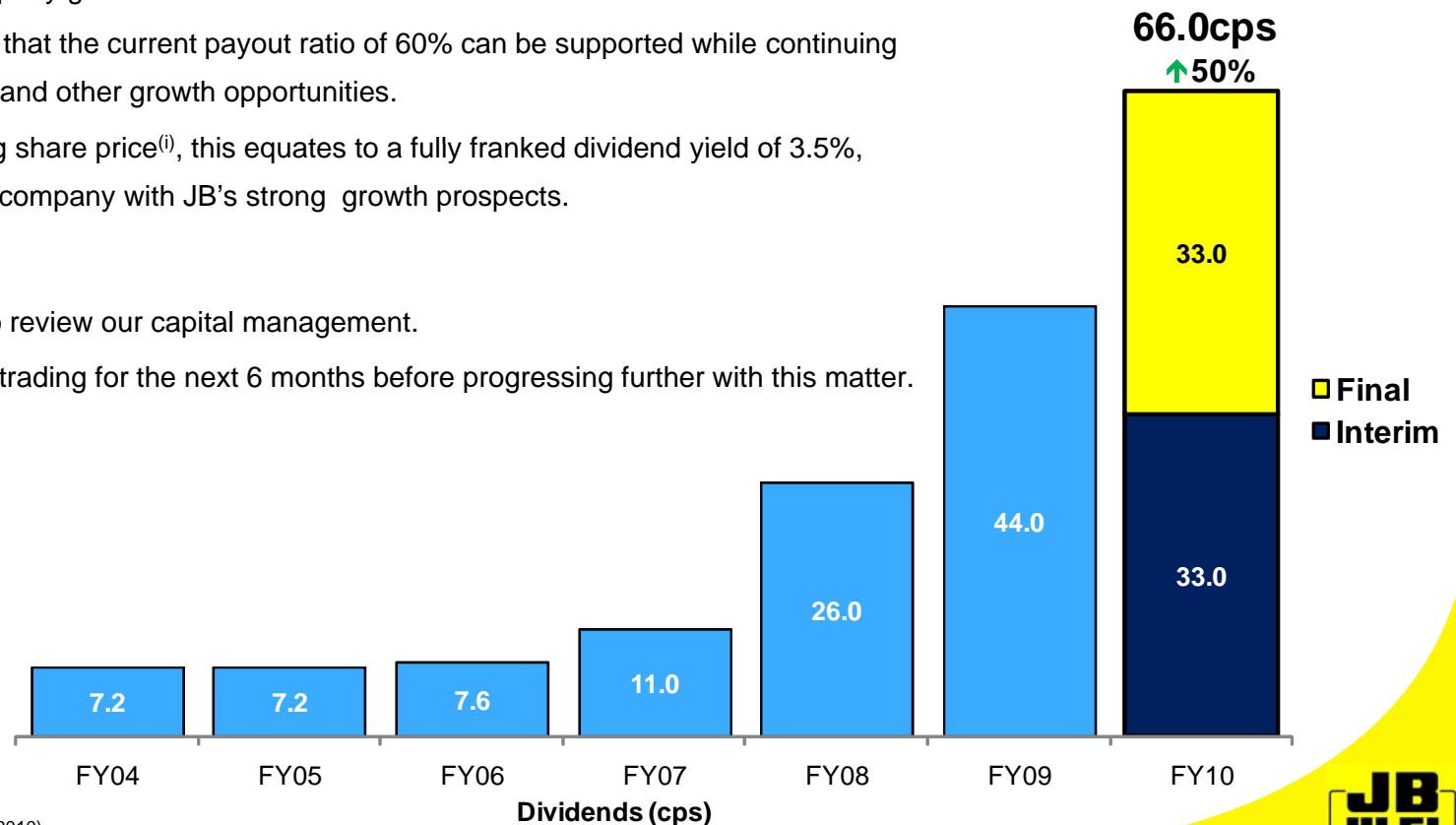
6. Dividends

Dividends

- The final dividend is 33.0 cents per share fully franked.
- Total dividends of 66.0 cents per share represents a 50.0% increase over the prior year.
- The payout ratio of 60% reflects the Company's continuing strong cashflows from existing stores and overall company growth.
- The Board is confident that the current payout ratio of 60% can be supported while continuing to invest in new stores and other growth opportunities.
- Based on July's closing share price⁽ⁱ⁾, this equates to a fully franked dividend yield of 3.5%, which is pleasing for a company with JB's strong growth prospects.

Capital Management

- The board continues to review our capital management.
- The board will monitor trading for the next 6 months before progressing further with this matter.



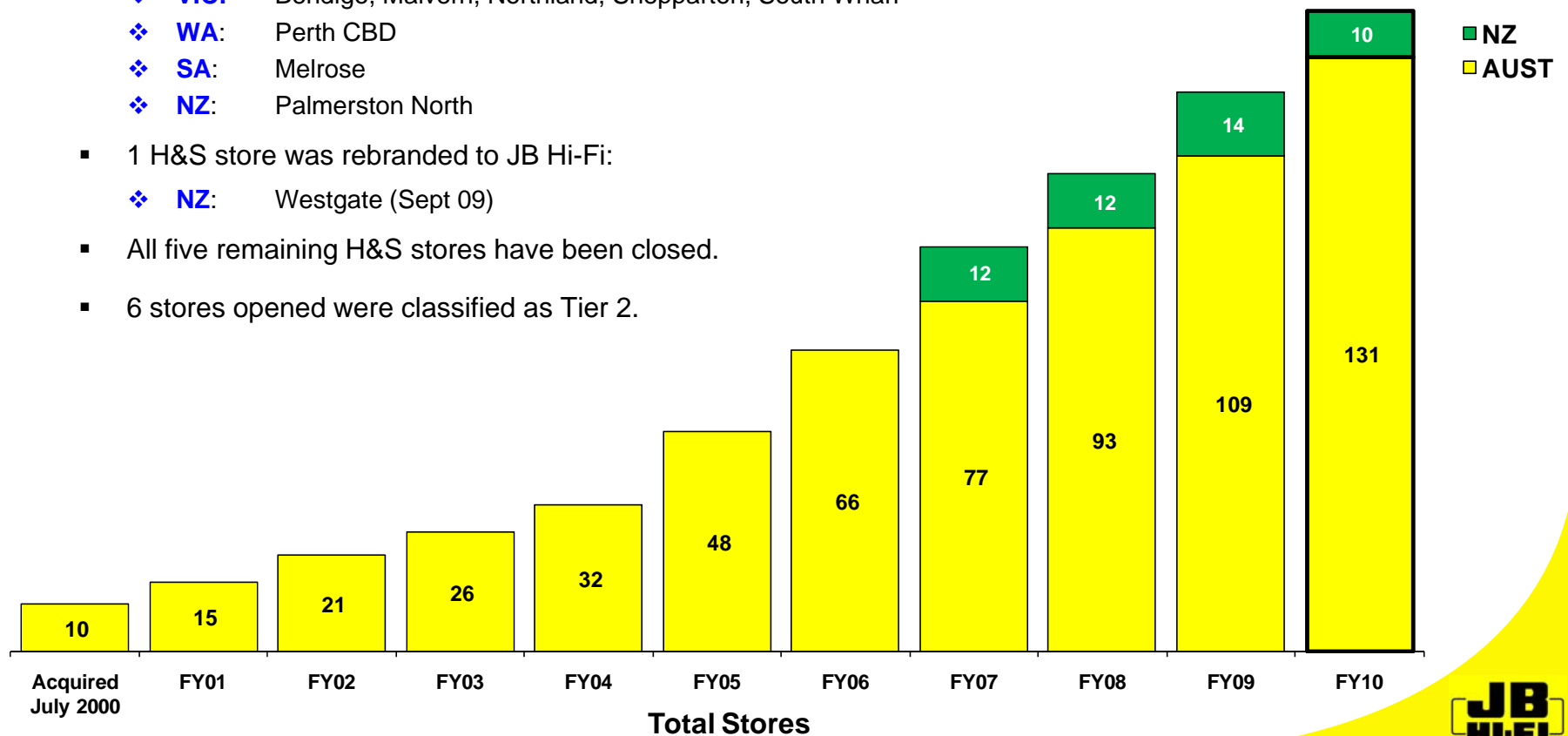


7. Store update

23 stores opened in FY10

□ 23 JB Hi-Fi stores opened in FY10

- 23 JB Hi-Fi stores:
 - ❖ **NSW:** Albury, Artarmon, Belrose, Eastgardens, Moore Park, Top Ryde, Wagga Wagga, Wollongong Central, World Square
 - ❖ **QLD:** Brisbane CBD (x2), Browns Plains, Mt Ommaney, Rockhampton, Townsville
 - ❖ **VIC:** Bendigo, Malvern, Northland, Shepparton, South Wharf
 - ❖ **WA:** Perth CBD
 - ❖ **SA:** Melrose
 - ❖ **NZ:** Palmerston North
- 1 H&S store was rebranded to JB Hi-Fi:
 - ❖ **NZ:** Westgate (Sept 09)
- All five remaining H&S stores have been closed.
- 6 stores opened were classified as Tier 2.



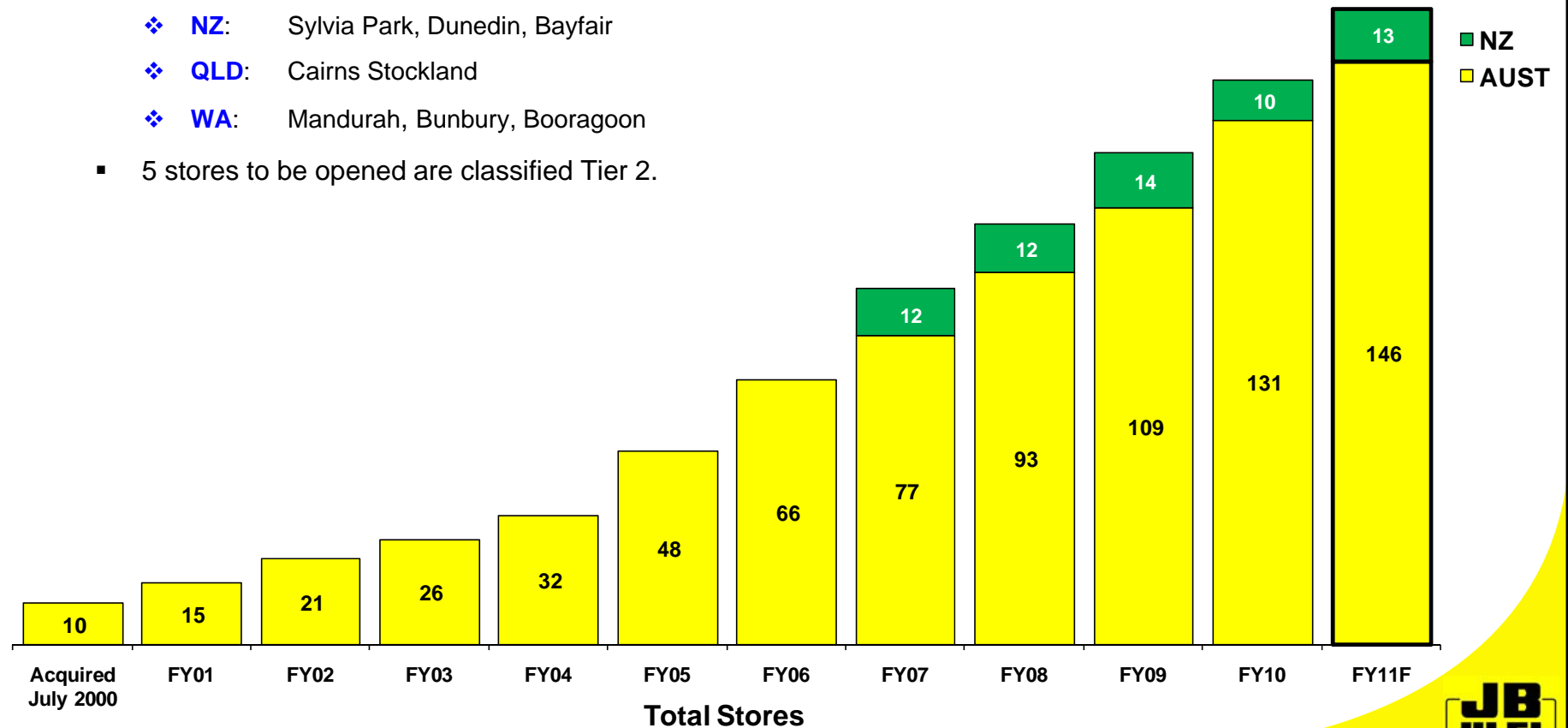


7. Store update...

18 new stores to open in FY11

□ 18 JB Hi-Fi stores expected to be opened during FY11

- 18 JB Hi-Fi stores:
 - ❖ **VIC:** Sunshine, Forrest Hill, Chadstone – Warrigal Rd, Greensborough, Mildura, Airport West, Bayside Frankston
 - ❖ **NSW:** North Sydney, Charlestown, Merrylands, Westfield Sydney
 - ❖ **NZ:** Sylvia Park, Dunedin, Bayfair
 - ❖ **QLD:** Cairns Stockland
 - ❖ **WA:** Mandurah, Bunbury, Booragoon
- 5 stores to be opened are classified Tier 2.



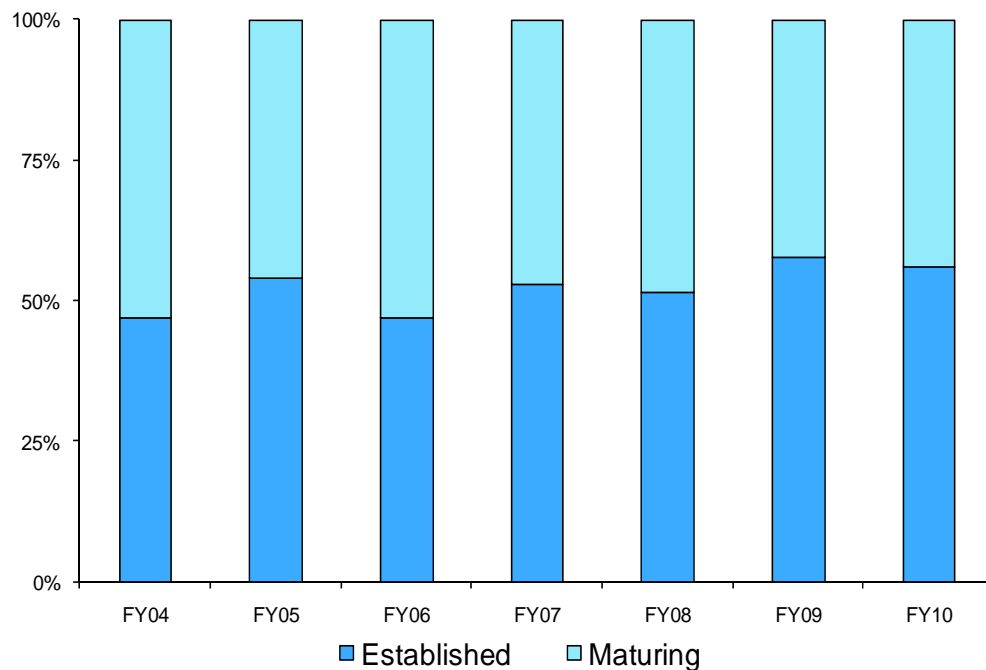


7. Store update...

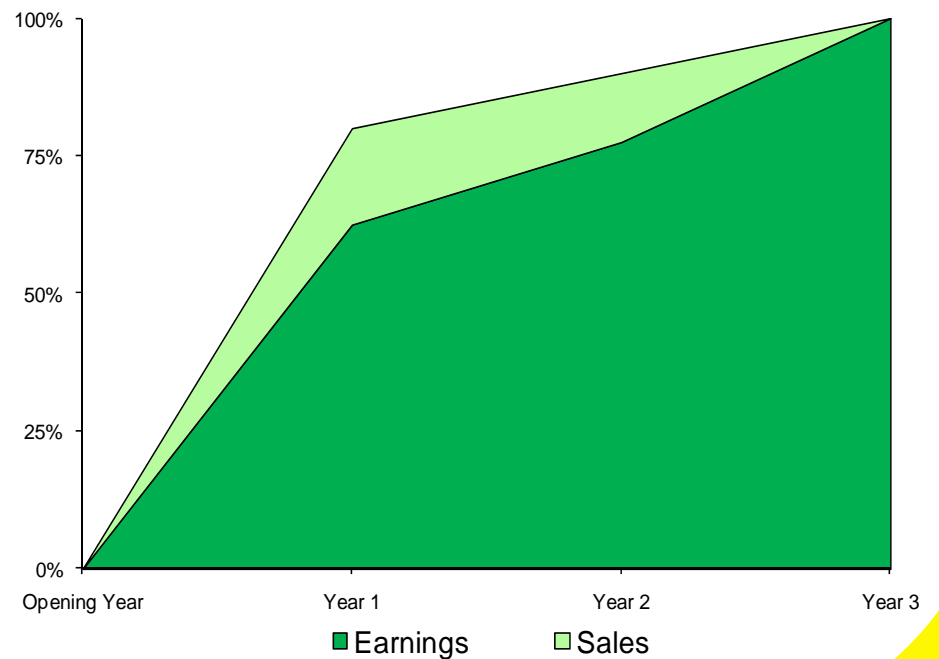
Store ramp up profile and maturity mix

- Store Ramp Up Profile - a JB Hi-Fi store takes on average 2.5/3 years to mature, sales mature faster than earnings.
- Close to half of our stores are still in their maturity ramp up and with 18 new stores expected to open in FY11, JB will continue to enjoy strong sales and earnings momentum as its recently opened stores mature.

Store maturity mix



Store ramp up profile



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8. Investment checklist

- ✓ Strong and unique retail model.
- ✓ Operates mainly in high growth home entertainment and technology sector.
- ✓ Low cost of doing business – best of listed retailers.
- ✓ Many new store opportunities
 - JB Hi-Fi circa 210 (160 Tier 1 format and 50 Tier 2 format) in Australia and New Zealand (130 as at end FY10).
- ✓ Good growth potential from computer and mobile consumer electronics (telco) categories.
- ✓ Size and continued high growth gives us great buying power and advertising synergies.
- ✓ Low capital investment and high return on invested capital.
- ✓ Low gearing.
- ✓ Strength and depth of management.



Appendix I

Store movements during FY10

	FY09	FY10			Total
		Opened	Rebranded	Closed	
Australia					
JB - Tier 1	90	17	-	-	107
JB - Tier 2	8	5	-	-	13
	98	22	-	-	120
Clive Anthonys	11	-	-	-	11
TOTAL	109	22	-	-	131
New Zealand					
JB - Tier 1	7	-	1 ⁽ⁱ⁾	-	8
JB - Tier 2	1	1	-	-	2
	8	1	1	-	10
Hill & Stewart	6	-	(1) ⁽ⁱ⁾	(5)	-
TOTAL	14	1	-	(5)	10
TOTAL	123	23	-	(5)	141

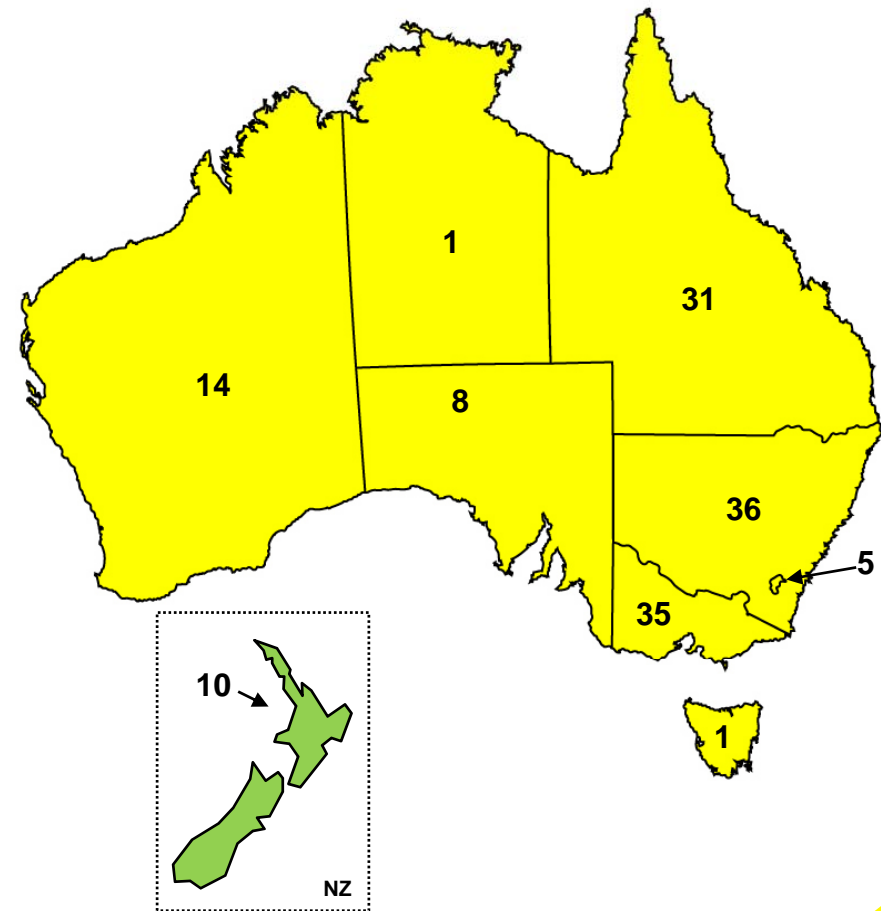
JB Hi-Fi store type:

Tier 1	97	17	1	-	115
Tier 2	9	6	-	-	15
TOTAL	106	23	1	-	130

Store format:

Shopping centres	59	8	1	(3)	65
Other	64	15	-	(3)	76
TOTAL	123	23	1	(6)	141

Geographic breakdown[#]



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Appendix II

a) EBIT reconciliation

AUDm	FY09	FY10
Profit for the year (App 4E)	94.4	118.7
<i>add back</i>		
- income tax expense (App 4E)	41.1	50.9
Profit before Tax	135.5	169.6
<i>add back</i>		
- interest received	(1.6)	(1.4)
- interest expense (App 4E)	8.0	7.0
- net interest expense	6.5	5.5
Earnings before interest and tax (EBIT)	142.0	175.1

b) CODB reconciliation

AUDm	FY09	FY10
Other income (ex interest received)	(0.1)	(0.3)
Sales and marketing expenses (App 4E)	230.4	265.1
Occupancy expenses (App 4E)	84.6	101.1
<i>less depreciation & amortisation</i>	(12.7)	(17.2)
Administration expenses (App 4E)	21.3	24.9
<i>less depreciation & amortisation</i>	(6.0)	(6.1)
Other expenses (App 4E)	25.5	28.2
Cost of Doing Business (CODB)	342.9	395.8
Sales	2,327.3	2,731.3
CODB (% of sales)	14.7%	14.5%



Appendix II...

c) Store types

JB Hi-Fi is currently targeting 210 stores in Australia and New Zealand. This target is split between Tier 1 (160 stores) and Tier 2 (50 stores). While each store is different, broadly the stores can be defined as follows:

- Tier 1:** approximately 1,100 to 1,300 sqm of which circa 80% is retail space. The investment in a new Tier 1 store is approximately \$2.5m (\$1.5m in capital expenditure and \$1.0m in working capital); and
- Tier 2:** these stores are likely to be approximately 70% of a Tier 1 store in size and/or turnover. The investment in a new Tier 2 store is approximately \$2.0m (\$1.2m in capital expenditure and \$0.8m in working capital).

d) Closure of H&S Chain – financial implications

- We closed our 5 remaining H&S stores in FY10. 1 store was rebranded to JB Hi-Fi.
- The H&S stores contributed NZ\$20.3m/AU\$16.2m in sales, representing less than 15% of our NZ turnover;
- The cost of exiting the H&S business was circa AU\$2.5m, mainly relating to asset write-offs.
- The P&L impact of these costs was offset by the release of provisions raised in the FY09 consolidated financial results. As a result, there was no impact on FY10 consolidated earnings.
- The H&S stores operating loss in FY10 was circa AU\$1.5m.



Appendix III

Profit and Loss (5 years)

AUDm	FY06	FY07	FY08	FY09	FY10
Sales	945.8	1,281.8	1,828.6	2,327.3	2,731.3
Gross Profit	212.4	283.4	399.7	503.6	594.2
Gross Margin	22.5%	22.1%	21.9%	21.6%	21.8%
EBITDA	52.0	76.4	117.0	160.7	198.4
Depreciation & Amortisation	7.4	10.9	14.7	18.7	23.3
EBIT	44.5	65.5	102.3	142.0	175.1
EBIT Margin	4.7%	5.1%	5.6%	6.1%	6.4%
Net Profit After Tax	25.8⁽ⁱ⁾	40.4⁽ⁱ⁾	65.1	94.4	118.7
Headline Statistics:					
Earnings per share (basic ϕ)	25.0	38.8	61.8	88.3	109.7
Cost of doing business	17.0%	16.1%	15.4%	14.7%	14.5%
Stores at period end	66	89	105	123	141

⁽ⁱ⁾ net of OEI



Appendix III...

Balance Sheet (5 years)

AUDm	FY06	FY07	FY08	FY09	FY10
Cash	4.5	23.7	(1.5)	35.8	51.7
Receivables	28.3	45.2	53.0	60.3	63.5
Inventories	161.1	211.3	271.9	324.5	334.8
Other	2.8	3.5	5.3	5.7	4.5
Total Current Assets	196.8	283.7	328.7	426.2	454.5
Fixed Assets	57.2	80.9	112.9	136.1	164.0
Brandname & Goodwill	66.7	80.7	81.2	81.4	83.9
Other	6.2	8.6	11.5	18.0	12.0
Total Non-Current Assets	130.1	170.2	205.6	235.4	259.8
Total Assets	326.8	454.0	534.3	661.7	714.3
Payables	122.8	185.3	206.1	274.0	289.5
Borrowings	-	-	-	-	35.0 ⁽ⁱⁱ⁾
Other	15.6	24.7	31.8	49.8	38.6
Total Current Liabilities	138.3	210.0	237.9	323.7	363.1
Borrowings	100.0	117.7	123.0	89.4	34.6
Other	4.8	7.5	9.5	19.3	23.3
Total Non-Current Liabilities	104.8	125.2	132.5	108.7	57.9
Total Liabilities	243.2⁽ⁱ⁾	335.2⁽ⁱ⁾	370.4	432.4	421.0
Net Assets	79.0	113.1	163.9	229.3	293.3

⁽ⁱ⁾ net of OEI

⁽ⁱⁱ⁾ repaid on 3rd August 2010



Appendix III...

Cash Flow Statement (5 years)

AUDm	FY06	FY07	FY08	FY09	FY10
EBITDA	52.0	76.4	117.0	160.7	198.4
Change in Working Capital	(17.9)	5.6	(44.8)	19.6	1.2
Net Interest Paid	(5.7)	(7.1)	(8.9)	(6.7)	(5.0)
Income Tax Paid	(11.3)	(15.2)	(28.0)	(41.3)	(53.5)
Other	(1.5)	4.5	7.1	13.3	11.0
Net Cashflow from Operations	15.6	64.1	42.4	145.6	152.1
Purchases of P&E	(28.8)	(34.4)	(51.3)	(43.9)	(53.4)
Investments	-	(19.2)	(8.2)	-	-
Payments for intangible assets	-	-	-	-	(2.4)
Net Cashflow from Investing	(28.8)	(53.6)	(59.5)	(43.9)	(55.8)
Free Cash Flow⁽ⁱ⁾	(13.2)	29.7	(8.9)	101.7	96.3
Borrowings / (Repayments)	22.9	15.8	5.8	(35.3)	(20.0)
Proceeds from issue of Equity	0.6	2.2	3.0	4.2	6.8
Dividends Paid	(7.4)	(9.4)	(16.9)	(33.2)	(67.1)
Net Cashflow from Financing	16.1	8.6	(8.1)	(64.3)	(80.2)
Net Change in Cash Position	2.9	19.2	(25.2)	37.4	16.1
Effect of exchange rates	-	-	-	(0.1)	(0.1)
Cash at the end of Period	4.5	23.7	(1.5)	35.8	51.7

⁽ⁱ⁾ Free Cash Flow = Net Cash Flow from Operations less payments for store related assets (excludes investments)